

## **Summary of Bank Indonesia Laws**

Regulation : Bank Indonesia Regulation Number 10/36/PBI/2008 dated December 10, 2008, concerning Sharia Monetary Operations

Effective date : December 10, 2008

### **Summary**

#### **I. Definition of Sharia Monetary Operations (OMS)**

OMS is an implementation of monetary policy by Bank Indonesia in effort of monetary control through open market operations and provision of standing facilities under sharia principles

#### **II. OMS Objectives**

OMS objective is to achieve the operational target of sharia monetary control in supporting the achievement of ultimate target of Bank Indonesia monetary policy.

The operational target of sharia monetary control is :

- a. Adequacy of liquidity of sharia banks; or
- b. Other variables stipulated by Bank Indonesia including but not limited to rate of return of interbank money market based on sharia principles.

The operational target shall be achieved by influencing sharia banking liquidity through monetary contraction or expansion.

#### **III. OMS Activities**

OMS activities include but not limited to :

- a. Sharia Open Market Operations; and
- b. Sharia Standing Facilities

The activities have to comply with sharia principles which are realized in the form of extension of fatwa and/or sharia opinion by competent fatwa authorities.

#### **IV. Sharia OMO**

Sharia OMO is conducted either on periodic basis or at any time through auction and/or non-auction mechanism, among other things, by :

- a. issuance of SBIS;

b. selling ...

- b. selling buying<sup>\*)</sup> of rupiah denominated securities which complies with sharia principles including SBIS, SBSN, and other high quality and liquid securities; and/or → Fine Tune Expansion (FTE)
- c. absorption of fund without issuance of securities → Fine Tune Contraction (FTK).

<sup>\*)</sup> may be conducted, among other things, by outright buying/selling, repo, reverse repo.

#### V. Sharia Standing Facilities

Sharia Standing Facilities is conducted through non-auction mechanism by :

- a. provision of deposit facility, conducted in the form, among other things, of Bank Indonesia Sharia Deposit Facility (FASBIS); and
- b. provision of financing facility, conducted in the form, among other things, of repo securities in the rupiah.

#### VI. OMS Participants

OMS activities may be participated by :

- Bank, and/or
- Other party<sup>\*\*)</sup>

either directly or indirectly through intermediary.

<sup>\*\*)</sup> Other parties may be a non-bank legal entity, an individual, and other legal entity other than intermediary, related to the implementation of Bank Indonesia's task in monetary control.

- Bank Indonesia stipulates requirements for OMS participants
- OMS participants are required to comply with provisions stipulated in OMS activities.

#### VII. Sanctions

Sanctions are imposed on cancelled OMS transactions, in the form of :

- a. written warning;
- b. financial penalty of 1<sup>0</sup>/<sub>00</sub> (one per one thousand) of the value of the cancelled transaction with a maximum amount of Rp1,000,000,000.00 (one billion rupiah);

and ...

and

- c. suspension to participate in OMS activities for 5 (five) consecutive business days for any cancellation of transaction for the third time in a period of 6 (six) months.

#### VIII. Concluding Provision

Implementation provisions of this Bank Indonesia Regulation will be further stipulated in Bank Indonesia Circular Letter

DPM